



Department of Justice

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JUSTICE DEPARTMENT REQUIRES SBC TO DIVEST CELLULAR PROPERTIES IN DEAL WITH AMERITECH AND COMCAST

Requires Divestitures of Cellular Telephone Systems in 17 Markets

WASHINGTON, D.C. - The Justice Department and SBC Communications today agreed on a consent decree that would resolve the Department's antitrust concerns about SBC's acquisitions of Ameritech Corporation and Comcast Cellular Corporation by requiring SBC and Ameritech to divest one of the two cellular telephone systems in each of 17 markets in Illinois, Indiana and Missouri, including the major metropolitan areas of Chicago and St. Louis. This is one of the largest divestiture packages involving a merger ever required by the Department's Antitrust Division.

The Department said that the SBC acquisition of Ameritech, as originally proposed, would have led to a loss of head-to-head competition in wireless mobile telephone services in these 17 markets. Ameritech currently owns one of the cellular systems in each of these 17 markets, and the other cellular system in each of those markets is owned by either SBC or Comcast.

"Competition between wireless mobile telephone providers is increasingly important to consumers who use wireless services for a wide variety of personal and business purposes," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division.

"Without these divestitures, consumers would have paid higher prices or received lower quality

services for wireless mobile telephone service in the 17 wireless mobile telephone markets where Ameritech and either SBC or Comcast are the two cellular telephone providers. The proposed consent decree will protect consumers from any loss in competition for wireless mobile telephone service.”

The Antitrust Division’s suit was filed under Section 7 of the Clayton Act, which prohibits mergers that may substantially lessen competition, and reflects the Division’s view about the antitrust issues raised by the proposed merger. Other government agencies, including the Federal Communications Commission and the public utility commissions of Illinois, Indiana, and Ohio, are also reviewing the SBC/Ameritech transaction under the laws which those agencies enforce.

The Department’s antitrust suit and the proposed consent decree were filed today in U.S. District Court in Washington, D.C. The consent decree, if approved by the Court, would settle the suit.

Under the proposed consent decree, Ameritech is obliged to divest its cellular telephone systems in St. Louis and other markets in Missouri, as well as its cellular telephone systems in the three markets in Illinois where it overlaps with Comcast. The Department said the consent decree will also help ensure that a purchaser of the divested Ameritech cellular systems in the St. Louis area would have the ability to pursue a local exchange entry strategy in SBC’s local service area, such as that Ameritech had planned before the merger. In the remaining markets in Illinois and Indiana where SBC’s and Ameritech’s cellular telephone systems overlap, SBC and Ameritech can choose which of the two systems in each market must be divested.

If SBC and Ameritech consummate their merger before they have completed these divestitures, they must transfer, to a trustee chosen by the Department, the remaining cellular systems that are to be divested. The trustee will own and control the systems until they are sold to a final purchaser, subject to safeguards to prevent SBC and Ameritech from influencing their operation. The divestitures, whether made by SBC and Ameritech or by the trustee, must be completed within 180 days of the time that SBC and Ameritech consummate their merger, or the time that they receive the final regulatory approvals that are needed from the FCC and state regulatory commissions to consummate the merger, whichever is earlier.

In its complaint, the Department alleged that the 17 markets for wireless mobile telephone services at issue are highly concentrated and that the SBC-Ameritech and SBC-Comcast mergers would greatly increase concentration in these markets. The mergers could give SBC the ability to increase prices, reduce quality and quantity of service, and refrain from making network improvements, through either unilateral actions or coordinated actions with the limited number of remaining competitors.

The 17 affected markets have a total population of more than 11 million. The 17 markets involve both Metropolitan Statistical Areas (MSA) and Rural Service Areas (RSA). MSAs are the 306 urbanized areas in the U.S. defined by the federal government and which are used by the FCC to license cellular systems in urbanized areas. RSAs are the 428 areas defined by the FCC that are used for licensing cellular systems in rural regions of the U.S. outside of MSAs. The Metropolitan Statistical Areas in Illinois are: Aurora-Elgin; Bloomington-Normal; Champaign-Urbana-Rantoul; Chicago; Decatur; Joliet; Kankakee; and Springfield. In Missouri-Illinois the MSA is St. Louis and in Indiana it is Gary-Hammond-East Chicago.

The Rural Service Areas in Illinois are: Bureau; Mason; and Montgomery.

In Missouri the RSA's are: Callaway; Maries; Perry; and Stoddard.

SBC, headquartered in San Antonio, Texas, had more than \$28 billion in revenues in 1998. It is the incumbent provider of local telephone services in Arkansas, California, Connecticut, Kansas, Missouri, Nevada, Oklahoma and Texas. It is the nation's third largest provider of cellular and other wireless mobile telephone services, with about 6.5 million subscribers, serving areas in the states where it provides local telephone services, as well as in the District of Columbia, Illinois, Indiana, Maryland, Massachusetts, Rhode Island, New York, Virginia, and West Virginia.

Ameritech, headquartered in Chicago, had more than \$17 billion in revenues in 1998 and is the incumbent provider of local telephone services in Illinois, Indiana, Michigan, Ohio, and Wisconsin. It provides cellular mobile telephone services in those states, as well as in Missouri and Hawaii, with a total of about 3.2 million subscribers.

Comcast Cellular, headquartered in Wayne, Pennsylvania, provides cellular telephone services in areas of Delaware, Illinois, Indiana, New Jersey, and Pennsylvania, including the Philadelphia metropolitan area, and has about 800,000 subscribers.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, together with the Department's competitive impact statement, which will be filed with the court shortly. Any person may comment on the proposed decree by submitting

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comments to the Department. After a 60-day comment period, the United States will reply to any public comments and seek entry of the decree by the Court.

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